

“THEY BELIEVED IN ME.”

RESPONSIBLE FINANCE IMPACT REPORT 2023

CDFIs are mission-driven lenders. Each and every CDFI is a social enterprise. They play a vital and growing role turning a “no” from banks and other lenders into a “yes.” When others are pulling down the shutters, CDFIs dare to lend, making informed, evidence-driven decisions.



IN 2022,
CDFIS LENT **£248M** TO
95,000 CUSTOMERS

a 20% increase in lending and 22% growth in customer numbers.

CDFIs work in the more deprived areas of the UK and most of their loans are made outside of London and the South East. Through their activities, CDFIs contribute to:

- Increasing business activity in deprived areas, resulting in increased wealth in communities.
- Increasing job opportunities in low-income communities, boosting incomes and life chances.
- Improving community wellbeing and social cohesion through fostering social enterprises.
- Increasing financial stability and reducing reliance on predatory lending.
- Reducing poverty and increasing income through reduced interest repayments and enabling people to identify unclaimed benefits.
- Increasing the use of renewable energy in low-income communities, resulting in reduced greenhouse gas emissions.

 **Responsible
Finance**



1. UNLOCKING OPPORTUNITY: LENDING TO BUSINESSES

Twenty CDFIs lend to start-ups and established small businesses to create value in communities by increasing access to capital.

£81M

lent to 3,230 start-ups and established small businesses in 2022

8,180

jobs created and safeguarded

2,570

new businesses created

26,320

hours of support provided to businesses

99%

of businesses were previously declined by another lender

94%

of businesses supported were based outside London and the South East

50%

of businesses supported were based in the UK's

35%

most disadvantaged areas

36%

of loans made to women-led start-ups and businesses

15%

of loans made to ethnic minority-led start-ups and businesses

Small and medium-sized enterprises (SMEs) make up 99% of the UK's firms. As social enterprises, CDFIs create value by increasing access to capital for-profit small businesses through:

- Generating employment and economic growth, particularly in left behind regions, and for underserved demographics, thereby levelling up opportunity.
- Creating thriving places through strong business communities that invest back into their local areas, revitalising communities.
- Supporting gender equality by lending disproportionately more to women-led enterprises.
- Reducing inequalities by lending disproportionately more to small businesses led by individuals from a Black, Asian or minority ethnic background.
- Delivering a just transition to net zero, as SMEs contribute to half of the UK's business-driven carbon emissions and need finance and support to reduce their greenhouse gas emissions.



2. CREATING VIBRANT PLACES: LENDING TO SOCIAL ENTERPRISES

Eleven CDFIs and social banks fill a market gap through specialising in lending to social enterprises: businesses with a core social or environmental purpose.

£117M

lent to 416 social enterprises in 2022

5,220

hours of support provided to social enterprises

81%

of social enterprises supported were based outside London and the South East

45%

of social enterprises supported were based in the UK's 35% most disadvantaged areas

45%

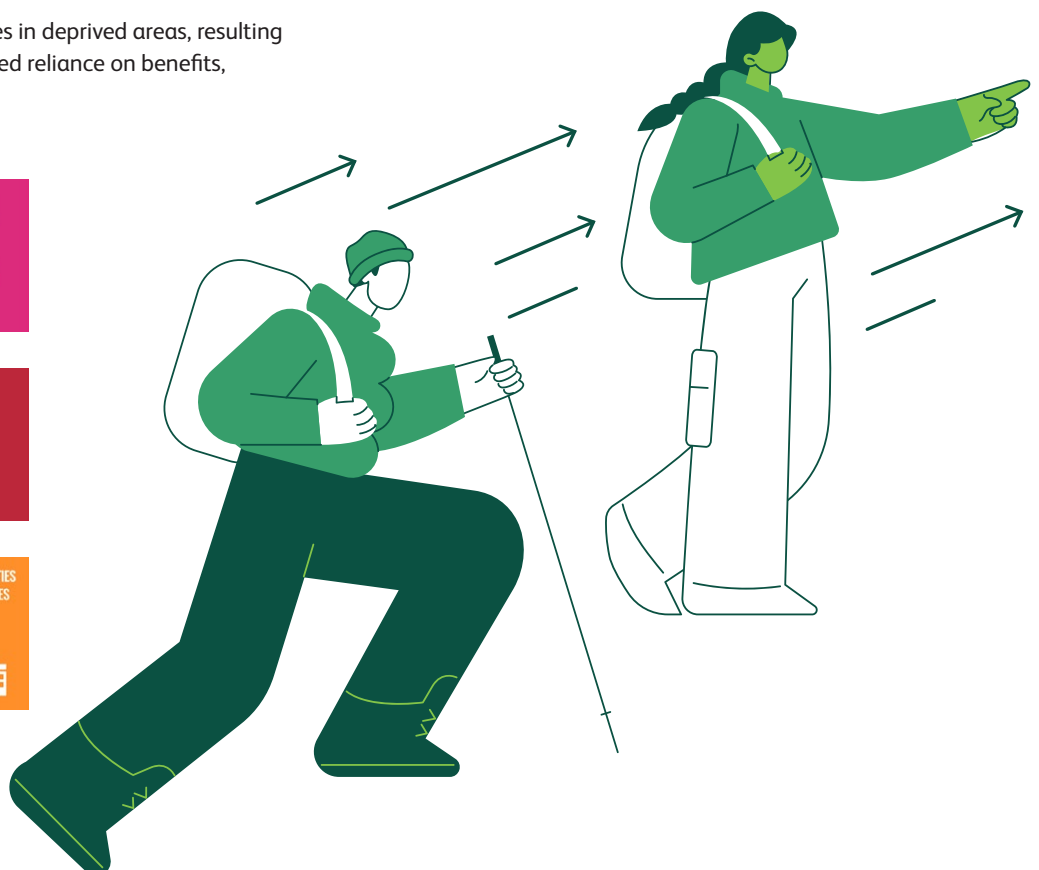
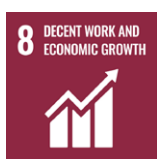
of loans were made to women-led social enterprises

Top sectors financed:

- 1 community services
- 2 housing and accommodation
- 3 employment, education and training

CDFIs create value by lending to social enterprises through:

- Fostering healthy and thriving communities by supporting social enterprises which deliver community services, provide housing, employment, education and training to scale and improve their impact.
- Supporting gender equality through channelling almost half of lending to women-led social enterprises.
- Generating job opportunities in deprived areas, resulting in increased incomes, reduced reliance on benefits, increased social mobility.



3. IMPROVING LIVES: LENDING TO INDIVIDUALS

Eight CDFIs make personal loans to individuals who don't have a financial safety net. A small loan which they can repay over a few months can be the only way to buy a large item like a fridge or pay a one-off cost like a car repair.

£46M

lent to 90,630 people and £4 million lent to 465 homeowners in 2022.

CDFIs helped households hold on to

£28M

in interest they would have paid to a high-cost lender

CDFIs identified

£410

in unclaimed benefits every month for 68,470 people (£4,918 of additional income each per year)

82%

of individuals supported were based outside London and the South East

Average loan size:

£500

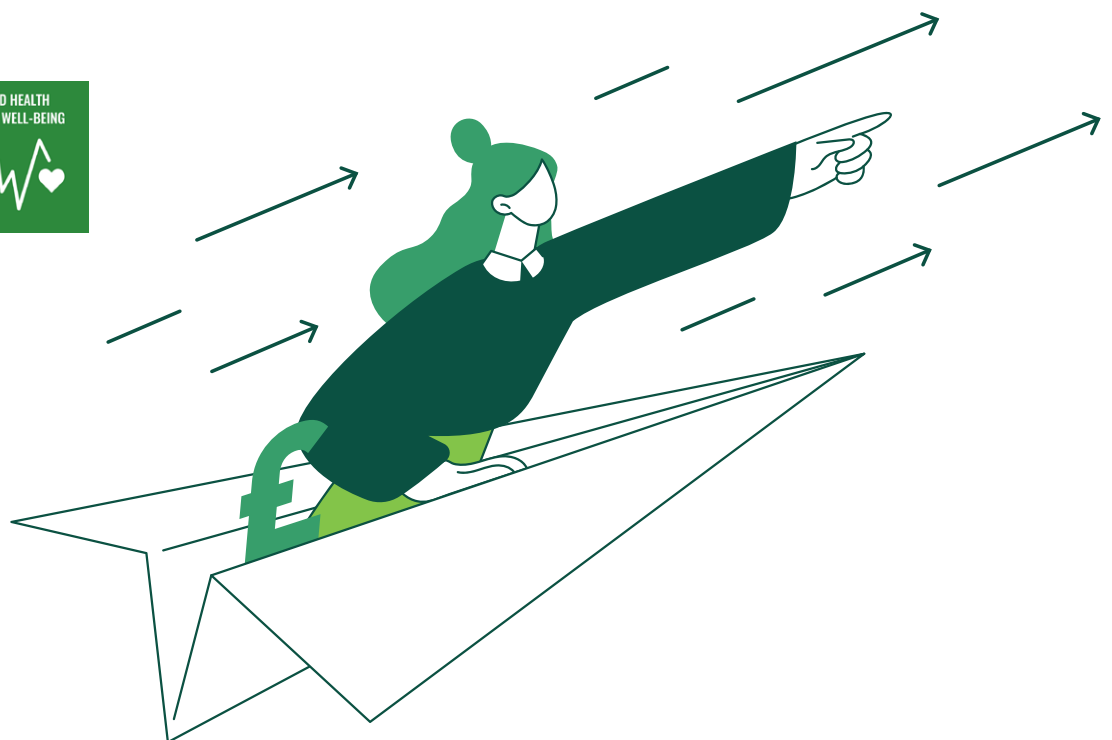
Typical cost of borrowing from a CDFI

£128,

or £5.30 per week

CDFIs create value by lending to individuals and homeowners by:

- Reducing poverty and helping to increase incomes through savings made in interest repayments and unclaimed benefits identified.
- Improving the health and wellbeing outcomes for their customers through reduced stress and outcomes such as better diets associated with the purchase of essential household items.
- Reducing inequality by improving customers' credit history, enabling them to access lower cost loans in future.



4. BACKING A JUST TRANSITION TO NET ZERO EMISSIONS

A just transition to net zero is one which is fair and inclusive, not leaving anybody behind. Finance is widely acknowledged as being critical, and a diversity of options will be crucial for unlocking the UK's transition.

CDFIs empower communities to drive their own decarbonisation. They have catalysed community-owned energy schemes, green technology innovations, emission-reducing projects and

the installation of household insulation and renewables. Across lending to small businesses, social enterprises and consumers, CDFI funding is a tool for the just transition.



5. HOW CAN WE SCALE UP CDFIS' IMPACT?

CDFIs are agile and responsive. They make strong reliable partners because they have unique reach into underserved markets, they have a track record, measure their results and are focused on getting the very best outcome for their customers. Policymakers, banks, stakeholders – here is what you can do to scale up the CDFI sector's impact:

1. Help CDFIs scale up their capacity:

- Target portions of the expanded Dormant Assets for Social Investment and Financial Inclusion to scaling up CDFIs to turbocharge their impact.
- Exempt all Community Finance Organisations from payment of Financial Ombudsman Service Case Fees.

2. Increase investment in CDFIs:

- Back the Fair Banking Act to ensure the UK's retail banks take action to tackle financial exclusion.
- Expand Community Investment Tax Relief to personal lending CDFIs to attract new investors.
- Investors: Have a conversation with us about getting involved.

3. Boost awareness of CDFIs:

- Extend the credit broking exemption to reroute more people away from high-cost and illegal lenders.
- Require banks to signpost customers they cannot support to CDFIs.